



October 24, 2002

Dear President/CEO:

The purpose of this letter is to call your attention to the provisions of the Medicare statute (Title XVIII of the Social Security Act) that relate to Medigap guaranteed issue rights for many Medicare beneficiaries. These provisions require Medigap issuers to sell certain Medigap policies on a guaranteed issue basis to individuals who will lose coverage under Medicare managed care plans effective December 31, 2002. The attached document summarizes the responsibilities of Medigap issuers to beneficiaries who are affected by Medicare+Choice plan nonrenewals.

As you may know, health maintenance organizations (HMOs) and other managed care plans contract with Medicare to provide covered services to Medicare beneficiaries. Plans decide each year whether to continue serving beneficiaries in selected counties or entire service areas. For calendar year 2003, 9 Medicare+Choice plans have decided not to renew their contracts and 23 Medicare+Choice plans, as well as 1 private fee-for-service plan, are reducing their service areas, affecting a total of about 215,306 enrollees.

Medigap issuers may experience an increased demand for Medigap policies between now and March 4, 2003 in the areas affected by the Medicare+Choice plan nonrenewals. Most beneficiaries who wish to buy a Medigap policy are likely to apply for the policy from early October through early December. Beneficiaries who have other managed care plans to choose from will be having a Special Election Period from October 1, 2002 through December 31, 2002. Beneficiaries who decide to return to the Original Medicare Plan are likely to apply for Medigap policies during or shortly after this period.

You can view reports at: <http://cms.hhs.gov/healthplans/nonrenewal/reports2003.asp> that contain information about where the plan withdrawals and service area reductions will occur and where the heaviest demand for Medigap policies is likely to occur.

Some beneficiaries will have additional rights to buy Medigap policies, with different time limits. As explained in the attachment, certain beneficiaries who have been in Medicare managed care for less than 12 months may have the right to buy a Medigap policy they had prior to enrolling in Medicare managed care, or, if they enrolled in a Medicare managed care plan when they became eligible for Medicare Part A at age 65, they may have the right to choose any Medigap policy. Individuals who are enrolled for the first time ever in a Medicare managed care plan, and are in their first 12 months of enrollment in that plan, have additional rights. These individuals may exercise their rights at any time between now and the end of December, as long as they are still within the initial 12 month "trial period." Other beneficiaries may still be within the six-month Medigap open enrollment period that begins when they turn 65 and are covered by Part B. None of these rights is exclusive; a beneficiary might meet the criteria for more than one type of protection.

President/CEO

Beneficiaries may terminate managed care coverage and begin coverage under the Original Medicare Plan with a Medigap policy before December 31. Guaranteed issue rights apply during the 63-day period that begins with the date of the "final notification letter" they receive from their Medicare+Choice plans. The final notices should have been mailed to the beneficiaries by September 27 and dated October 2, 2002 (to comply with the statutory 90-day notice requirement). The final notices direct beneficiaries to contact their local State Health Insurance Assistance Program (SHIP) or the State Insurance Commissioner's Office if they have problems or need assistance finding a Medigap policy.

We appreciate your cooperation in serving Medicare beneficiaries in a timely manner. If you have questions, please contact Kathryn McCann or Julie Walton of my staff at 410-786-7623 or 410-786-4622, respectively. You may also obtain additional information about the nonrenewal process by checking CMS's websites including:

- <[www.medicare.gov](http://www.medicare.gov)> containing information for Medicare beneficiaries.
- <[www.cms.hhs.gov/healthplans/nonrenewal](http://www.cms.hhs.gov/healthplans/nonrenewal)> containing information for providers, partners, and others, where you will find the model beneficiary notices that Medicare contracting managed care plans are required to use to notify beneficiaries of their choices.
- <[www.cms.hhs.gov/Medigap](http://www.cms.hhs.gov/Medigap)> containing information for state regulators, Medicare supplement insurers and agents, insurance industry associations and researchers.

Sincerely,

///Original Signed///

Gale Arden  
Director  
Private Health Insurance Group  
Center for Medicaid and State Operations

Attachment - Medigap issuers' responsibilities

cc:

State Insurance Commissioners  
State Insurance Dept. Medigap contacts  
National Association of Insurance Commissioners  
Associate Regional Administrators  
Regional Office Medigap Coordinators  
All Managed Care Nonrenewal Coordinators  
Health Insurance Association of America  
Blue Cross Blue Shield Association of America  
American Association of Health Plans  
National Association of Health Underwriters  
American Association of Retired Persons  
State Health Insurance Assistance Programs  
State Health Insurance Assistance Program Regional Coordinators